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Commerce's Second Quarter 2026 Earnings Call: prepared remarks

August 6th, 2026

Tyler Duncan – SVP, Finance and Investor Relations

Good morning, and welcome to Commerce's second quarter 2026 earnings call. We will be discussing the results announced in our press release issued before today's market open. With me are Commerce's Chief Executive Officer, Travis Hess; and Chief Financial Officer & Chief Operating Officer, Daniel Lentz. Today's call will contain certain forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements include statements concerning financial and business trends, as well as our expected future business and financial performance, financial condition, and our guidance for both the third quarter of 2026 and the full-year 2026. These statements can be identified by words such as expect, anticipate, intend, plan, believe, seek, committed, will, or similar words. These statements reflect our views as of today only and should not be relied upon as representing our views at any subsequent date, and we do not undertake any duty to update these statements. Forward-looking statements, by their nature, address matters that are subject to risks and uncertainties that could cause actual results to differ materially from expectations.

For a discussion of the material risks and other important factors that could affect our actual results, please refer to the risks and other disclosures contained in our filings with the Securities and Exchange Commission. During the call, we will also discuss certain non-GAAP financial measures, which are not prepared in accordance with generally accepted accounting principles. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures, as well as how we define these metrics and other metrics, is included in our earnings press release, which has been furnished to the SEC and is also available on our website at investors.commerce.com.

With that, let me turn the call over to Travis.

Travis Hess – Chief Executive Officer

Q2 2026 was another quarter of steady execution for Commerce. We delivered revenue of $84.5 million, within our guidance range, and non-GAAP operating income of $8.1 million, above the high end of our guidance range of $4 million to $5 million. GMV grew 14% year over year to $8.8 billion, we generated positive GAAP net income for the second consecutive quarter, and net revenue retention improved sequentially for the third consecutive quarter to 95.8%.

These results reinforce the priority we have discussed over the past several quarters: building a business with a more durable earnings profile. We believe the structural changes we are making are improving the quality of our revenue, strengthening execution, and positioning Commerce for more sustainable long-term growth.

As we look to the second half of the year, we are also making several deliberate decisions that affect our near-term outlook. Those decisions reflect both the realities of today's market and where we believe commerce is headed over the long term. Daniel will discuss the financial implications in more detail shortly.

Before discussing the quarter further, I want to spend a few minutes on that broader context, because it explains both our investment priorities and the decisions we are making today.

Commerce is undergoing one of its most significant structural shifts in more than a decade. B2C replatforming activity remains softer than we have seen historically, while AI is changing how merchants evaluate technology investments and delaying monetization across portions of the industry. At the same time, product discovery is becoming increasingly distributed across marketplaces, retail media, AI search, shopping agents, and other emerging buying experiences rather than beginning and ending on a merchant's website.

We believe those changes require a different approach. Rather than optimizing for every possible source of near-term revenue, we are concentrating our investments where we believe we have the greatest differentiation, the strongest right to win, and the opportunity to create the most durable long-term value for merchants and shareholders.

We believe one of those areas is product intelligence. AI agents, marketplaces, retail media networks, search engines, and emerging buying experiences all depend on structured, enriched, and continuously optimized product data. As commerce becomes more distributed, we believe product intelligence is becoming foundational infrastructure for modern commerce.

That is why Feedonomics has become such an important part of our strategy. Today, Feedonomics synthesizes and transforms more than one trillion product listings every month, giving us unique insight into how product information is structured, enriched, and optimized across the global commerce ecosystem. We believe that scale positions us to play an increasingly important role as AI-driven discovery and agentic commerce continue to evolve.

We have intentionally organized Commerce around three complementary layers, or control planes, that reflect how we believe modern commerce is evolving.

Feedonomics is our product intelligence layer, helping merchants structure, enrich, optimize, and distribute product information wherever discovery or emerging buying experiences occur.

Makeswift is our experience layer, enabling merchants to create consistent content and brand experiences across an expanding number of digital touchpoints.

BigCommerce is our transaction layer, powering pricing, checkout, orders, APIs, and the operational workflows merchants rely on every day.

Each layer is designed to operate independently through an open architecture. Our objective is not to replace everything a merchant already has. It is to allow merchants the flexibility to adopt the capabilities that create the most value while preserving flexibility across an increasingly distributed commerce ecosystem.

More importantly, this framework shapes how we run the company.

As commerce undergoes structural change, we do not believe success comes from trying to participate in every opportunity. It comes from concentrating our capital, engineering resources and partnerships where we have the greatest differentiation, the clearest right to win, and the opportunity to create the most durable long-term value.

That philosophy has led us to make a series of deliberate decisions this year. We have narrowed portions of our partner ecosystem, focused our embedded payments strategy around a smaller group of strategic partners, increased investment in product intelligence and AI, and deliberately kept merchant storefronts broadly accessible to AI agents, even though doing so creates additional infrastructure costs today.

Collectively, those decisions reduce certain near-term revenue opportunities and increase investment in others. They also position Commerce more effectively for where we believe the market is heading. Those trade-offs are reflected in the outlook Daniel will discuss shortly.

That operating philosophy is reflected across four priority investment areas.

First, AI and agentic commerce.

Momentum continued following Commerce Live 2026 as we expanded merchant distribution across leading AI assistants, commerce platforms, and payment ecosystems. We also continued to see growing adoption of Commerce Companion within the BigCommerce platform, helping merchants automate workflows, analyze data, and become more productive.

Looking ahead, we remain excited about several new capabilities launching in the second half of the year. In Q3, we expect to introduce new data enrichment offerings across both Feedonomics and BigCommerce that improve and measure how products are discovered across traditional and AI-driven channels. In early Q4, we expect to launch our B2C Brand

Agent and Conversational Search for BigCommerce. That sequencing is intentional. We believe intelligent commerce begins with high-quality product intelligence, and each of these capabilities becomes more valuable as the underlying catalog becomes richer, more complete, and better optimized.

Second, Feedonomics Surface and Makeswift.

Surface continues extending the power of Feedonomics to SMB and mid-market merchants through a self-service experience, making enterprise-grade product intelligence accessible to a much broader segment of the market. We continue to see encouraging adoption and stronger GMV growth among Surface merchants, reinforcing our conviction that product intelligence should be accessible regardless of merchant size.

Makeswift also remains on track for a year-end freemium launch within BigCommerce, bringing modern visual editing directly into the platform. Together, Surface and Makeswift expand our addressable market, strengthen our product-led growth strategy, and create additional opportunities to increase customer adoption over time.

Third, BigCommerce Payments.

BigCommerce Payments continued building momentum following its U.S. launch earlier this year. Merchant adoption and payment volume continue to exceed our expectations, we have expanded availability to additional merchant cohorts, and we remain on track for a U.K. launch later this year.

Strategically, Payments represents much more than another product offering. It expands how Commerce participates in the growing volume of commerce flowing across our platform. As GMV grows, Payments creates an opportunity to deepen merchant relationships, increase monetization, and further strengthen the long-term economics of our business.

Finally, B2B.

We also continued investing in the capabilities that matter most for manufacturers, distributors, and other complex commerce businesses. B2B remains one of the areas where we believe we have a durable competitive advantage, and we continue to invest accordingly.

That leadership was recognized again this quarter as BigCommerce earned all 24 possible medals across the Enterprise and Midmarket editions of the 2026 Paradigm B2B Combine for the fourth consecutive year, including recognition for vision and strategy, ability to execute, and customer support.

Taken together, these investments reflect a common theme. We are concentrating our resources behind the areas where we believe Commerce has the strongest differentiation, the clearest right to win, and the greatest opportunity to create durable long-term value for both merchants and shareholders.

Beyond our product roadmap, we also continued to see encouraging execution across the business.

Our strategic partnership with Accenture continued to build momentum during the quarter, including a product intelligence win with one of the world's largest branded footwear and apparel manufacturers. As we have said before, we believe our product intelligence and agentic suite creates a significant long-term opportunity to expand our relationship with Accenture, and we look forward to sharing more as that partnership continues to evolve.

We also announced a strategic, distribution partnership with WP Engine that enables high-growth brands to add BigCommerce's commerce capabilities while preserving their existing WordPress content, SEO, and customer experiences. We believe this is another strong example of the advantages of our open architecture, allowing merchants to modernize incrementally rather than forcing costly, disruptive platform replacements.

Across the quarter, we continued adding global customers spanning B2B and consumer commerce, demonstrating the breadth of businesses our platform supports. While the industries and use cases vary considerably, they share a common need for flexibility, openness, and increasingly, product intelligence. We believe those strengths continue to differentiate Commerce in the market.

Earlier this year, we introduced our updated pricing and packaging strategy, including BigCommerce Payments and a more focused embedded payments ecosystem. Those changes became effective on June 1 and remain aligned with the broader operating philosophy I've discussed today. This was never intended to be a broad-based price increase. It was a strategic decision designed to deepen alignment with a focused group of embedded payments partners, improve the long-term economics of the platform, and better position Commerce to participate in the growing payment volume flowing across our ecosystem.

As I step back, I believe the first half of 2026 demonstrates that our strategy continues to evolve in exactly the direction we have been discussing over the past several quarters.

We are executing against our roadmap. Product adoption continues to expand. GMV continues to grow. Profitability continues to improve. Net revenue retention has sequentially improved. And we are making disciplined decisions to concentrate our investments behind the areas where we believe Commerce has the strongest differentiation and the clearest right to win.

Some of these decisions affect our near-term outlook, but they do not change our strategy - they reinforce it. We believe they strengthen the quality of the business, improve our long-term economics and position Commerce to create greater value over time.

With that, I will turn the call over to Daniel.

Daniel Lentz – CFO and COO

Thanks, Travis. Let me start with some additional detail on our financial results in the quarter.

Q2 revenue was $84.5 million. Subscription Solutions revenue was $63.1 million, and partner and services revenue was $21.4 million. Non-GAAP operating income was $8.1 million, above the high end of our guidance range of $4 million to $5 million. Our non-GAAP operating margin in Q2 was 9.6%, up nearly 400 basis points year-over-year. ARR ended the quarter at $360.5 million, up sequentially from $359.8 million in the prior quarter.

We delivered positive GAAP net income for the second consecutive quarter, and we remain on track to deliver GAAP profitability for the full year 2026. Our balance sheet remains strong: we ended the quarter with just over $157 million in cash, cash equivalents, restricted cash, and marketable securities. This reflects significant improvement in cash generation in this business, with our net cash position up nearly $22 million year-over-year. Our cash and investments continue to exceed our total long-term debt outstanding, with no material debt maturities until 2028.

For the first half of 2026, we generated operating cash flow of $23.5 million and free cash flow of $14.1 million, compared to $14.0 million and $9.0 million a year ago. In Q2, operating cash flow was $5.1 million and free cash flow was $0.1 million - the difference being capital expenditures, which stepped up to $5.0 million from $1.7 million a year ago as we fund our 2026 product investment.

On GMV, we delivered 14% growth year-over-year, reaching nearly $8.8 billion. Over the prior four quarters, we facilitated nearly $34 billion in GMV. B2B GMV growth was particularly strong, increasing 17% year-over-year. Our current GMV mix is weighted toward B2B, where card-based payment volume represents a smaller portion of transactions and generates less partner revenue share. As a result, platform activity is currently growing faster than revenue. Narrowing that gap through payments monetization, product cross-sell, and higher attach rates remains a top priority for the business.

On NRR, net revenue retention was 95.8%, up sequentially compared to 95.4% in Q1 2026. This marked our third consecutive quarter of sequential improvement in NRR for the total business.

Remaining performance obligations and deferred revenue were up 11% and 25% year-over-year in Q2, respectively. These remain important forward-looking indicators of contracted customer commitments and the quality and duration of our bookings.

We continue to manage dilution and stock based compensation responsibly as well. Stock-based compensation was approximately 4.7% of revenue in Q2, down from 8.7% in the same quarter last year and 7.0% for the full year 2025. For the three months ended June 30, 2026, we had approximately 82.6 million common shares outstanding and 82.8 million fully diluted shares outstanding.

As Travis outlined, we are revising our 2026 guidance to reflect three deliberate management decisions that we believe strengthen the long-term quality of the business: partner ecosystem concentration, targeted R&D investment, and infrastructure support for AI-driven discovery. We are also incorporating a more cautious view of second-half new-account bookings, reflecting continued softness in B2C replatforming activity and a broader software spending environment that remains measured.

For Q3 2026, we expect:

- Revenue between $82.5 million and $85.5 million
- Non-GAAP operating income between $3.3 million and $5.3 million

For the full year 2026, we are updating our outlook, reflecting:

- Revenue between $336.5 million and $344.5 million
- Non-GAAP operating income between $28 million and $34 million

Let me cover the factors behind our updated guidance in a bit more detail.

As Travis discussed, we have decided to concentrate our efforts on a smaller number of deeper, healthier technology partner relationships; the ones we believe create the best merchant outcomes and the most durable, aligned economics for Commerce. In the near term, that means we will forgo some partner revenue we would have captured under our prior approach. We are doing this because we believe that revenue was less durable than the revenue we expect to generate over time through product intelligence, payments, data services, AI-driven discovery, and a more curated partner ecosystem. This does not mean we are limiting choice for our merchants. We remain open and composable. This is a controllable, management-led decision that we believe will improve merchant outcomes and the long-term quality of our revenue base.

We are also taking a more cautious view of new-account bookings in the second half of the year, particularly in areas of the market where B2C replatforming activity remains subdued and customers continue to evaluate how AI affects longer term technology decisions. We believe the updated outlook is prudent and gives us a foundation from which to execute in the second half of the year. Our current guidance represents an $18 million reduction in revenue at the midpoint compared with our prior outlook, reflecting roughly an even mix between our deliberate partner ecosystem decision and a prudent new-account bookings assumption. Our updated non-GAAP operating income outlook represents a $12.5 million reduction at the midpoint, reflecting the revenue adjustment as well as targeted R&D investment and higher infrastructure costs associated with AI-driven discovery, which is partially offset by additional operating efficiencies.

We continue to see healthy engagement in our strategic areas, particularly B2B, payments, Surface, and AI-driven discovery, but the broader software spending environment remains uneven. Sales cycles remain scrutinized, and we believe it is prudent to reflect that environment in our updated outlook rather than assume a sharper second-half recovery.

Our incremental product investment is targeted at specific parts of our roadmap: B2B, BigCommerce Payments, AI and agentic capabilities, Makeswift, and Feedonomics Surface; the areas we believe most directly drive attach rates, retention, and monetization over time.

Our non-GAAP gross margin came down sequentially, from 77.4% in Q1 to 75.7% in Q2. The primary driver was higher hosting costs to support merchant storefronts, largely due to an increase in traffic from AI crawlers and agents indexing and retrieving product data from our merchants' sites. We believe keeping access open is the right decision for our merchants today, because this traffic reflects real and growing demand from the AI surfaces where product discovery increasingly happens. We view this traffic as valuable, not incidental. While it creates incremental cost in the near term, we believe it is the right long-term decision, particularly given the operational efficiencies we have generated elsewhere in the business.

Importantly, these decisions are being made from a position of operational strength. We have continued to identify efficiencies across the business and have already redirected those savings toward these strategic investments, allowing us to absorb a meaningful portion of these incremental costs within our updated outlook.

To be clear, our long-term financial objectives have not changed. Our near-term path, however, is different from what we previously anticipated. We now expect lower new-account bookings in the second half, less revenue from portions of the partner ecosystem, and higher targeted infrastructure and R&D investment. We believe these changes establish a more prudent operating baseline while preserving our ability to invest in the areas with the greatest long-term monetization potential.

We also continue to make good progress with BigCommerce Payments. Since launch, merchant adoption has been strong, with GMV running more than 30% ahead of our internal plan. Based on these early results, we have begun expanding availability to select Performance plan merchants in the U.S., remain on track for a U.K. launch later this year, and continue to enhance the platform with additional payment methods and value-added services. While still early, we are encouraged by both adoption and monetization trends.

Let me close with a few reasons we remain confident in Commerce's trajectory.

GMV growth remains strong, reflecting the health and scale of our platform. NRR is trending in the right direction, with three consecutive quarters of sequential improvement and a clear roadmap of cross-sell and monetization initiatives ahead of us. We operate at approximately \$360.5 million in ARR, and we remain on track to deliver GAAP profitability for the full year. We believe that combination of disciplined execution and continued investment positions Commerce for stronger monetization and more consistent growth over time.

With that, Operator, let's open it up for questions.